

Senate Study Bill 1306

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CO=CHAIRPERSON ZIEMAN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing tax credits for the costs of information
2 technology training of certain employees under the individual
3 and corporate income taxes and including effective and
4 retroactive applicability date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 3461SC 81
7 mg/sh/8

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1 1 Section 1. NEW SECTION. 422.11K INFORMATION TECHNOLOGY
2 TRAINING TAX CREDIT.
1 3 1. The taxes imposed under this division, less the credits
1 4 allowed under sections 422.12 and 422.12B, shall be reduced by
1 5 an information technology training tax credit, subject to the
1 6 availability of tax credits. The amount of the tax credit
1 7 equals fifty percent of the first ten thousand dollars of the
1 8 cost of training an eligible employee during the tax year for
1 9 the purpose of maintaining and updating such employee's
1 10 expertise. The costs eligible for the tax credit are those
1 11 costs of training provided by a professional training program
1 12 provider whose business or occupation is to provide such
1 13 training and who utilizes technology industry=recognized
1 14 training techniques. The cost of training an eligible
1 15 employee does not include travel or lodging expenses. The
1 16 deduction for training expenses allowed in computing federal
1 17 adjusted gross income shall be reduced by the amount of the
1 18 tax credit taken under this section.
1 19 2. For purposes of this section, "eligible employee" means
1 20 an employee who has a job title in any of the following
1 21 categories as they relate to information technology:
1 22 a. Network and systems support.
1 23 b. Programming and engineering.
1 24 c. Telecommunications or computer hardware assembly,
1 25 installation, or repair.
1 26 3. a. To receive the information technology training tax
1 27 credit, the business must submit an application to the
1 28 department. The application shall contain such documentation
1 29 as required by the department. This documentation may
1 30 include, but is not limited to, any of the following:
1 31 (1) Name, address, and the telephone number of the
1 32 training program provider.
1 33 (2) Qualifications of training program provider.
1 34 (3) Qualifications of instructors.
1 35 (4) Training objectives.
2 1 (5) Criteria for employee performance evaluation.
2 2 (6) Training outline, location, schedules, and materials.
2 3 b. If the taxpayer meets the criteria for eligibility, the
2 4 department shall issue to the taxpayer a certification of
2 5 entitlement for the tax credit. However, the combined amount
2 6 of tax credits that may be approved for a fiscal year under
2 7 this section and section 422.33, subsection 17, shall not
2 8 exceed five million dollars. Tax credit certificates shall be
2 9 issued on an earliest filed basis. The certification shall
2 10 contain the taxpayer's name, address, tax identification
2 11 number, the amount of the credit, and tax year for which the
2 12 certificate applies. The taxpayer must file the tax credit
2 13 certificate with the taxpayer's income tax return in order to
2 14 claim the tax credit. The department shall provide by rule

2 15 for the method to be used to determine for which fiscal year
2 16 the tax credits are approved.

2 17 4. Any credit in excess of the tax liability for the tax
2 18 year is nonrefundable but may be credited to the tax liability
2 19 for the following ten tax years or until depleted, whichever
2 20 is the earlier.

2 21 5. An individual may claim the tax credit allowed a
2 22 partnership, limited liability company, S corporation, estate,
2 23 or trust electing to have the income taxed directly to the
2 24 individual. The amount claimed by the individual shall be
2 25 based upon the pro rata share of the individual's earnings of
2 26 a partnership, limited liability company, S corporation,
2 27 estate, or trust.

2 28 Sec. 2. Section 422.33, Code 2005, is amended by adding
2 29 the following new subsection:

2 30 NEW SUBSECTION. 17. a. The taxes imposed under this
2 31 division shall be reduced by an information technology
2 32 training tax credit, subject to the availability of tax
2 33 credits. The amount of the tax credit equals fifty percent of
2 34 the first ten thousand dollars of the cost of training an
2 35 eligible employee during the tax year for the purpose of
3 1 maintaining and updating such employee's expertise. The costs
3 2 eligible for the tax credit are those costs of training
3 3 provided by a professional training program provider whose
3 4 business or occupation is to provide such training and who
3 5 utilizes technology industry-recognized training techniques.
3 6 The cost of training an eligible employee does not include
3 7 travel or lodging expenses. The deduction for training
3 8 expenses allowed in computing federal taxable income shall be
3 9 reduced by the amount of the tax credit taken under this
3 10 subsection.

3 11 b. For purposes of this subsection, "eligible employee"
3 12 means an employee who has a job title in any of the following
3 13 categories as they relate to information technology:

- 3 14 (1) Network and systems support.
3 15 (2) Programming and engineering.
3 16 (3) Telecommunications or computer hardware assembly,
3 17 installation, or repair.

3 18 c. (1) To receive the information technology training tax
3 19 credit, the business must submit an application to the
3 20 department. The application shall contain such documentation
3 21 as required by the department. This documentation may
3 22 include, but is not limited to, any of the following:

- 3 23 (a) Name, address, and telephone number of the training
3 24 program provider.
3 25 (b) Qualifications of the training program provider.
3 26 (c) Qualifications of instructors.
3 27 (d) Training objectives.
3 28 (e) Criteria for employee performance evaluation.
3 29 (f) Training outline, location, schedules, and materials.

3 30 (2) If the taxpayer meets the criteria for eligibility,
3 31 the department shall issue to the taxpayer a certification of
3 32 entitlement for the tax credit. However, the combined amount
3 33 of tax credits that may be approved for a fiscal year under
3 34 this subsection and section 422.11K shall not exceed five
3 35 million dollars. Tax credit certificates shall be issued on
4 1 an earliest filed basis. The certification shall contain the
4 2 taxpayer's name, address, tax identification number, the
4 3 amount of the credit, and tax year for which the certificate
4 4 applies. The taxpayer must file the tax credit certificate
4 5 with the taxpayer's income tax return in order to claim the
4 6 tax credit. The department shall provide by rule for the
4 7 method to be used to determine for which fiscal year the tax
4 8 credits are approved.

4 9 d. Any credit in excess of the tax liability for the tax
4 10 year is nonrefundable but may be credited to the tax liability
4 11 for the following ten tax years or until depleted, whichever
4 12 is the earlier.

4 13 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
4 14 being deemed of immediate importance, takes effect upon
4 15 enactment and applies retroactively to January 1, 2005, for
4 16 tax years beginning on or after that date.

4 17 EXPLANATION

4 18 This bill provides an information technology training tax
4 19 credit under the individual and corporate income taxes for the
4 20 training costs of employees whose job titles are in certain
4 21 information technology-related categories. These categories
4 22 are network and systems support; programming and engineering;
4 23 and telecommunications or computer hardware assembly,
4 24 installation, or repair. The amount of the credit equals 50
4 25 percent of the first \$10,000 of the costs of training the

4 26 employee. Only \$5 million in total credits are to be approved
4 27 for a fiscal year. Applications must be made for the tax
4 28 credits with taxpayers receiving the credits on an earliest=
4 29 filed basis.
4 30 The bill takes effect upon enactment and applies
4 31 retroactively to January 1, 2005, for tax years beginning on
4 32 or after that date.
4 33 LSB 3461SC 81
4 34 mg:rj/sh/8